

Approved For Release 2002/05/06 : CIA-RDP78-03721A000300010016-9

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NOTES ON DISABILITY RETIREMENTS

(Prepared for use in appearance before Ways and Means Committee)

BACKGROUND

Employees covered under proposed CIA retirement system: The proposed retirement system will cover an estimated [] Agency employees.

Total retirements of all types from Agency at large for past 5 years: Total retirements from the Agency as a whole over the past 5 fiscal years (1959 through 1963) were 398, an average of 80 per year. Total retirements from the group to which the new system would apply were 116, an average of 23 per year.

<u>Details:</u> <u>Type of Retirement</u>	<u>Total Agency</u>	<u>Potential Eligibles for Proposed Retirement System</u>
Optional Retirements	221	71
Age Retirements	24	2
Discontinued Service Retirements	15	13
Disability Retirements	<u>138</u>	<u>30</u>
Total	398	116

DISABILITY RETIREMENTS IN CATEGORY OF POTENTIAL ELIGIBLES FOR PROPOSED SYSTEM

Over the past 5 years, some one-tenth of one percent of the people who would be covered by the proposed new system have been retired each year for disability. (About one-third of these retirements were for psychiatric illness and about two-thirds for physical problems such as heart disease, cancer, and the like.)

The age range of the disability retirees was 25 to 64. However, one-fourth were in the 45 - 49 age group and one-third were in the 40 - 54 age group.

The grades of the disability retirees ranged from GS-5 to GS-15. One-fourth were in GS-12 and GS-13. Over one-half were in GS-11 through GS-15.

The annuities of these disability retirees ranged from \$1,551 per year to \$5,987 per year. The average disability annuity was \$3,066.

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NOTES ON DISABILITY RETIREMENT (continued)

Detail on annuities:	\$5,000 - \$5,999	3
	4,000 - 4,999	3
	3,000 - 3,999	7
	2,000 - 2,999	11
	1,000 - 1,999	6
	Less than \$1,000	0

(Note: Only the three annuities which were over \$5,000—which were \$5,508, \$5,623, and \$5,987, respectively—exceed the \$5,100 represented by the \$100 per week sick pay exclusion applicable to disability annuities under the civil service retirement system.)

ESTIMATE OF FUTURE IMPACT OF PROPOSED TAX EXEMPTION ON DISABILITY ANNUITIES

Number of retirees: Since the proposed bill would not be retroactive in its application, the tax exemption which we are seeking would apply only to future retirements. Although the 5-year average of retirements from the group of employees to be covered has been 6 per year, the number in Fiscal Years 1962 and 1963 were 11 and 8, respectively, and we anticipate that the average for the next several years will be about 8 or 9.

Amount of annuities: We anticipate that the grade range of disability retirees will remain about the same with an average in the GS-12 or GS-13 bracket. Also, we anticipate that the ages of disability retirees will remain about the same and that most will be in the 40 to 54 age group. Most of these individuals have less than 20 years of service and their annuities are usually computed at the guaranteed minimum of 40%. (This minimum applies under both civil service and Foreign Service.) Consequently, we assume that the average disability retiree from this group in the future will retire in GS-12 or GS-13 and that his high-5 salary will be about \$11,300. (The base of GS-12 effective January 1964 will be \$9,980 and the base of GS-13 is \$11,725. The estimated high-5 average is not derived statistically—it represents the fifth step of GS-12.)

Based on these assumptions, the average annuity of retirees affected by the proposed system would be \$4,520 per year. This is less than the \$5,100 exempted under the IRS "sick pay" exclusion.